

1  
2  
3  
4  
5  
6  
7 UNITED STATES DISTRICT COURT  
8 WESTERN DISTRICT OF WASHINGTON  
9 AT SEATTLE

10 DAVID LAHOTI,

11 Plaintiff / Counterclaim  
12 Defendant,

13 v.

14 VERICHECK, INC.,

15 Defendant /  
Counterclaim Plaintiff.

CASE NO. C06-1132JLR

AMENDED  
FINDINGS OF FACT AND  
CONCLUSIONS OF LAW

16 **I. INTRODUCTION**

17 This matter returns to the court on remand from the United States Court of  
18 Appeals for the Ninth Circuit following its decision in *Lahoti v. VeriCheck, Inc.*, 586  
19 F.3d 1190 (9th Cir. 2009). Prior to the appeal, the court conducted a bench trial in this  
20 matter that began on November 6, 2007. At trial, Plaintiff/Counterclaim Defendant  
21 David Lahoti was represented by John Du Wors and Derek Linke of Newman &  
22 Newman, Attorneys at Law, LLP. Defendant/Counterclaim Plaintiff Vericheck, Inc.

1 (“Verichack”) was represented by Shannon Jost of Stokes Lawrence, P.S. Upon the  
2 conclusion of the trial, the court took the case under advisement and subsequently made  
3 its original Findings of Fact and Conclusions of Law (Dkt. # 81).

4 Following entry of judgment, Mr. Lahoti appealed to the Ninth Circuit. On  
5 November 16, 2009, the Ninth Circuit issued its opinion in *Lahoti*, wherein the Ninth  
6 Circuit affirmed in part and vacated in part this court’s decision and remanded the case to  
7 this court for further proceedings. The court has now considered the Ninth Circuit’s  
8 opinion in *Lahoti* and reviewed the post-appeal briefing submitted by the parties. The  
9 court has also considered the evidence and exhibits admitted at trial, the findings and  
10 conclusions reached in the court’s order on summary judgment (“SJ Order”) (Dkt. # 52),  
11 and counsels’ arguments.

12 Therefore, being fully advised, the court makes its Amended Findings of Fact and  
13 Conclusions of Law.

## 14 II. FINDINGS OF FACT

### 15 Background

16 1. Verichack, a Georgia corporation, is a national provider of electronic  
17 payment transaction processing services, and has been using the VERICHECK mark (or,  
18 “the mark”) in connection with its business since at least 1992. In 2003, Verichack  
19 attempted to register the mark with the United States Patent and Trademark Office  
20 (“PTO”) but was unable to do so because an Arizona company successfully registered  
21 VERICHECK as a word mark in 1975. (2d Hannah Decl. (Dkt. # 26) ¶ 8, Exs. 7, 8.)  
22

2. According to Verichack's Chief Executive Officer ("CEO") Jerry Hannah, who purchased the company in 1995, Verichack has maintained a World Wide Web presence at <verichack.net> since 1999 and began offering its services online about a year later. (*Id.* ¶ 2.) The company also registered the domain names <verichack.org>, <verichack.cc>, <verichack.us>, and <verichack.biz>, many of which redirect visitors to <verichack.net>. Verichack now conducts its business primarily over the Internet and through its resellers and independent sales offices ("ISOs"), who rely on the Internet, including Verichack's websites, as a primary mode of communication with Verichack. On August 31, 2001, the company successfully registered a service mark with the State of Georgia, described as "a depiction of a check mark over the word 'verichack.'" (2d Jost Decl. (Dkt. # 28) ¶ 3, Ex. B.)

3. Mr. Lahoti is an adjudicated cybersquatter who has registered thousands of domain names and prospectively registers domain names of services he "might offer" based on his "ideas for new ventures." (Lahoti Decl. (Dkt. # 31) ¶¶ 7-8; Jost Decl. (Dkt. # 16), Ex. B (*E-Stamp Corp. v. Lahoti*, Case No. 2:99-CV-9287-GAF-MAN (C.D. Cal. Jun. 12, 2000)); Supp. Jost Decl. (Dkt. # 23), Ex. K; SJ Order at 12 n.9.) After having tracked <verichack.com> ("Domain Name") for five years, Mr. Lahoti, a self-described "Internet entrepreneur," registered the Domain Name in March 2003. (Lahoti Decl. ¶¶ 3, 11.) The Domain Name incorporates the VERICHECK mark. Mr. Lahoti uses <verichack.com> in connection with a directory website providing links to companies that compete with Verichack. (*See* Ex. A-10.)

1           4.       Prior to Mr. Lahoti purchasing the Domain Name, it was owned by a  
2 Canadian company. For several years, Mr. Hannah and other Vericheck representatives  
3 attempted to secure rights to <vericheck.com> from the Canadian company. Once Mr.  
4 Lahoti purchased the Domain Name, he expressed a willingness to sell the Domain Name  
5 to Vericheck at prices that ranged from \$48,000 to \$100,000. (SJ Order at 3-4.)

6           5.       In June 2006, Vericheck filed a complaint with the National Arbitration  
7 Forum (“NAF”) pursuant to the Uniform Domain-Name Dispute-Resolution Policy  
8 seeking an order transferring <vericheck.com> to Vericheck. Mr. Lahoti responded and  
9 objected. In August 2006, the arbitrator issued a decision ordering transfer of the  
10 Domain Name to Vericheck.

11          6.       Mr. Lahoti filed the instant action for declaratory relief challenging NAF’s  
12 decision pursuant to 15 U.S.C. § 1114(2)(D)(v), which allows a registrant whose domain  
13 name has been suspended, disabled, or transferred to file a civil action to establish that  
14 his or her use of the domain name is lawful. Mr. Lahoti seeks a declaratory judgment  
15 that his use of the Domain Name does not contravene the Anti-Cybersquatting Consumer  
16 Protection Act (“ACPA”), 15 U.S.C. § 1125(d), or any other provision of the Lanham  
17 Act, 15 U.S.C. § 1051 *et seq.* In its answer, Vericheck pleads the following  
18 counterclaims: violation of the ACPA; Lanham Act false designation of origin, 15 U.S.C.  
19 § 1125(a); common law trademark infringement and trade name infringement; common  
20 law unfair competition and misappropriation; and a violation of Washington’s Consumer  
21 Protection Act (“CPA”), RCW § 19.86.020. Vericheck seeks transfer of the Domain  
22 Name, statutory damages, and attorneys’ fees.

1           7.       The parties filed cross-motions for summary judgment. On August 30,  
2 2007, the court denied Mr. Lahoti's motion and granted in part and denied in part  
3 Vericheck's motion. The court found the following: Mr. Lahoti registered and used  
4 <vericheck.com> in bad faith (SJ Order at 12-14); Mr. Lahoti is not entitled to take  
5 refuge in the "safe harbor" provision of Lanham Act § 43(d), 15 U.S.C. §  
6 1125(d)(1)(B)(ii) (SJ Order at 14); the Domain Name and the VERICHECK mark are  
7 identical or confusingly similar (*id.* at 6, 17); Vericheck's use of the mark predates Mr.  
8 Lahoti's registration of the Domain Name (*id.* at 7 n.5); Mr. Lahoti's use of the Domain  
9 Name for a directory website and his offers to sell the Domain Name constitute  
10 "commercial use" (*id.* at 15); and both parties use the Internet as a marketing channel (*id.*  
11 at 17).

12           8.       With respect to liability, the court found that there were issues of fact with  
13 regards to: (1) the distinctiveness of the VERICHECK mark; and (2) the likelihood of  
14 consumer confusion caused by Mr. Lahoti's use of the mark. The first issue affects all  
15 five of Vericheck's counterclaims. The second issue affects all claims except for the  
16 ACPA counterclaim.

17           9.       At the bench trial, Vericheck called two witnesses to testify: Vericheck  
18 CEO Mr. Hannah and Mr. Lahoti. Mr. Lahoti called a single witness, Tom Nort, to  
19 testify telephonically in rebuttal to Mr. Hannah's deposition testimony of November 5,  
20 2007. Mr. Nort sold the VERICHECK mark and business to Mr. Hannah.  
21  
22

1           10.     Because the court had already determined that Mr. Lahoti used the  
2 VERICHECK mark in bad faith, on the second day of the trial the parties agreed that the  
3 court could determine statutory damages and attorneys' fees on the existing record  
4 without need for trial testimony.

5           11.     On December 3, 2007, the court issued its Findings of Fact and  
6 Conclusions of Law (Dkt. # 81). The court determined that the VERICHECK mark is  
7 distinctive and strong; that Mr. Lahoti, by his registration, use, and attempted sale of the  
8 <verichack.com> domain name, had violated Lanham Act § 43(a) and (d), 15 U.S.C. §  
9 1052 *et seq.*; and that Mr. Lahoti's acts constituted common law trademark infringement  
10 and trade name infringement, common law unfair competition and misappropriation, and  
11 a violation of the CPA. The court awarded Verichack \$100,000 in statutory damages  
12 under 15 U.S.C. § 1117(d). In subsequent orders, the court awarded Verichack its  
13 attorneys' fees and costs.

14           12.     Mr. Lahoti appealed to the Ninth Circuit. On November 16, 2009, the  
15 Ninth Circuit issued an opinion affirming in part and vacating in part, and remanded the  
16 matter to this court for consideration in light of the principles articulated in *Lahoti v.*  
17 *VeriCheck, Inc.*, 586 F.3d 1190 (9th Cir. 2009).

18                   **Verichack's Business, Its Services, and Consumer Confusion**

19           13.     In 1992, Mr. Nort started Verichack in Georgia. Verichack was a  
20 verification company for check processing that appeared to employ a unique system for  
21 tracking account information.  
22

1           14.     Mr. Hannah met Tom Nort in 1992 or 1993. In 1995, Mr. Hannah  
2 purchased Verichack from Mr. Nort. The assets included in the sale were the company's  
3 computer programs, computers, processing equipment, and the name Verichack, Inc. Mr.  
4 Hannah continued to do business as Verichack and has always used the name Verichack  
5 to brand the company's services. Mr. Nort thereafter changed the name of his business  
6 so that he could offer services that he had not sold to Mr. Hannah as part of the sale of the  
7 Verichack business. (*See* Ex. A-21.)

8           15.     Mr. Nort was called to testify telephonically as a rebuttal witness to  
9 challenge Mr. Hannah's deposition testimony that Verichack had been doing business  
10 under the Verichack name since 1991 or 1992. Mr. Nort instead corroborated Mr.  
11 Hannah's testimony, testifying that Verichack began offering services in 1991 or 1992  
12 and, when pressed, said that he would have to settle on "around 1992." Mr. Nort further  
13 testified that salesmen used the VERICHECK mark to solicit business in Atlanta,  
14 Georgia and the surrounding area, as well as in Gainesville, Georgia.

15           16.     Mr. Hannah registered Verichack, Inc. with the State of Georgia on  
16 September 7, 1999. (Exs. 4, 5.) He testified credibly that his delay in registering the  
17 company was due to the death of one parent and the debilitating illness of his other parent  
18 around the same time that he began operating Verichack. Verichack owns a State of  
19 Georgia trademark registration, No. S-19547, for the mark VERICHECK & Design,  
20 issued August 31, 2001. (Ex. A-3.)  
21  
22

1           17. Vericheck provides a broad array of financial and merchant solutions,  
2 including check and other financial verification services; check guarantee services; check  
3 collection and prosecution of delinquent payments; verification of account information,  
4 balance, and positive or bad/fraudulent account transaction history; monitoring and  
5 reporting of check transaction history; payment processing services (credit card, debit  
6 card, echecks, electronic benefit transfer (“EBT”), wireless payments, stored value or  
7 purchasing cards, and personal or merchant check); and related transactional and  
8 technical support services. (*See, e.g.*, Exs. A-4, A-9, 4, 5, 15.) The vast majority of  
9 Vericheck’s business involves automated check handling (“ACH”), which includes  
10 prearranged payment debits (“PPD”); commercial cash debits (“CCD”); accounts  
11 receivable conversion (“ARC”); telephone transactions; back office conversion (“BOC”);  
12 point-of-purchase transactions (“POP”); returned check collection (“RCK”); and  
13 consolidated returns (“RCC”). Of these ACH transactions, ARC, BOC, POP, RCK, and  
14 RCC depend upon the existence of a physical check.

15           18. There are approximately 1,500 merchants conducting electronic  
16 transactions through Vericheck. Its customers include large private corporations such as  
17 the home security company ADT, as well as county and city governments, law firms, and  
18 professional organizations. Mr. Hannah testified that Vericheck’s sales volume in 1995  
19 was “minuscule,” but the company now is involved with approximately \$300 million in  
20 transactions per year, which translates to approximately 300,000 transactions. According  
21 to Mr. Hannah, in 2001-2002, Vericheck’s business “really took off” and the “trajectory  
22



1 was straight up”; this increase in business was related to Vericheck’s partnership with  
2 USA ePay. Presently, Vericheck grosses approximately \$60,000 per month.

3 19. Vericheck promotes its name and services through trade shows, banking  
4 shows, and electronic transactions exhibitions in Las Vegas and San Jose; merchant’s  
5 forums in Eureka, California, southern Tampa, Florida, and Atlanta, Georgia; and vendor  
6 groups sponsored by regional and national banks. Mr. Hannah personally attends two to  
7 three trade shows per year, distributing material and business cards, all of which  
8 prominently display the VERICHECK mark. It costs approximately \$5,000 to register  
9 for a trade show and additional expenses are incurred for setting up a booth. Vericheck  
10 also offers incentives to promote its services, for example, waived application fees for  
11 vendors, and asks that its ISOs and resellers participate in promoting these incentives.

12 20. Mr. Hannah testified that approximately 90% of Vericheck’s business is  
13 conducted through the Internet. This includes Vericheck’s secure network and merchant  
14 transactions. Vericheck, its resellers, and ISOs also direct merchants to the website  
15 posted at Vericheck’s <vericheck.net> to fill out applications, service agreements, and for  
16 further information. Vericheck, its resellers, and ISOs use VERICHECK as a trademark  
17 regularly. (*See, e.g.*, Exs. A-4 (using the mark on the website posted at <vericheck.net>),  
18 A-9 (using the mark on the website posted at <USAePay.com>).)

19 21. Mr. Hannah testified that he personally receives two or three calls per day  
20 from Vericheck resellers who say that customers are confused when they visit the website  
21 posted at <vericheck.com> and cannot find the Vericheck merchant application.  
22 According to Mr. Hannah, these resellers ask what the company is doing to increase

1 Vericheck's presence on the Internet and to eliminate the confusion when merchants  
2 attempt to locate the Vericheck application online and visit Mr. Lahoti's website posted  
3 at <vericheck.com> instead of the website posted at Vericheck's <vericheck.net>.

#### 4 **The VERICHECK Mark and Distinctiveness**

5 22. An Arizona company successfully registered VERICHECK as a word mark  
6 in 1975. (Exs. 7, 8.) These registrations were not renewed by the trademark owner and  
7 have expired. (Exs. 9-10.) There is no evidence in the record that the Arizona company  
8 ever used the VERICHECK mark.

9 23. Mr. Hannah testified credibly that the Arizona company has never and does  
10 not presently offer services similar to those of Vericheck. According to Mr. Hannah, the  
11 Arizona company is primarily a civil collections firm. Mr. Hannah has spoken with the  
12 Arizona company's principal and Vericheck presently has a referral agreement with that  
13 company: once checks are processed through the RCK process, Vericheck will refer the  
14 "hard collections" to the Arizona company. Mr. Hannah believes that the Arizona  
15 company does business under a name other than "Vericheck."

16 24. In July 2007, Vericheck applied for registration of the VERICHECK mark.  
17 (Ex. 30.) The PTO recently completed its initial examination of Vericheck's application  
18 for registration of the VERICHECK mark, and has approved Vericheck's application for  
19 publication for opposition. (Ex. A-22.) Mr. Lahoti has opposed Vericheck's application.

20 25. At trial, Mr. Lahoti testified inconsistently and evasively about his research  
21 into the <vericheck.com> domain name. In his answers to interrogatories, Mr. Lahoti  
22 stated that he began researching domain names with the "VERI-" prefix in 1998,

1 discovering that <verichack.com> was, at that time, registered to a Canadian company;  
2 searched the PTO's online database, finding that an Arizona company had registered the  
3 VERICHECK mark; and then conducted an Internet search, determining that "the  
4 Arizona entity was no longer using the alleged mark VERICHECK," and that "a number  
5 of other third parties were using terms identical or similar to VERICHECK in connection  
6 with their goods or services." (Ex. A-23, at 9.) Mr. Lahoti testified: (1) he could not  
7 verify that his answers to interrogatories were accurate; (2) he may not have verified or  
8 reviewed the answers to interrogatories before they were served on opposing counsel; (3)  
9 he was unaware of any duty to ensure that his answers were accurate; and (4) his attorney  
10 told him that any inaccuracies could be sorted out at trial.

11         26. Mr. Lahoti testified that he did an Internet search for "Verichack" and that  
12 the Arizona company did not appear in any of the results. He further stated that he did  
13 not take specific notice of Verichack's presence on the Internet because he was  
14 "overwhelmed" by the number of companies doing business on the Internet as  
15 "Verichack."

16         27. Mr. Lahoti has earned \$724 in revenue from owning <verichack.com>. He  
17 received this revenue from Oversee.net, which pays Mr. Lahoti based upon the number of  
18 times a visitor to <verichack.com> clicks through links on the page. He testified that he  
19 did not know how much he earned per click, and could not recall the number of times that  
20 visitors clicked through the links. He said that he did not scrutinize the statistics provided  
21 by Oversee.net closely enough to hazard a guess as to how his revenue was earned.  
22

1       28. Verichex's use of the VERICHECK mark predates nearly all of the  
2 alleged uses cited by Mr. Lahoti. Several of the purported third-party uses either are  
3 unsupported, irrelevant, or support the distinctiveness of the VERICHECK mark as used  
4 by Verichex to describe its services.

5       29. Most of the alleged uses upon which Mr. Lahoti relies are in unrelated  
6 services. For example, "VeriCheck Information Services" offers background  
7 investigation services (Exs. 20, 21); "Verichex, Inc." offers pre-employment  
8 background services (Exs. 22, 23); VeriCheck provides "Professional Pre-employment  
9 Verification Service" (Ex. 24); and "VERI-CHECK" offers an ultraviolet counterfeit  
10 money detector (Moeller Decl. (Dkt. # 32) Ex. 25).

11       30. Mr. Lahoti argued in his trial brief that another company, GLA, Inc., had an  
12 earlier use of a "verichex" designation. However there is no evidence of record showing  
13 any use whatsoever by GLA, Inc. of the mark, and the slim documentation provided by  
14 Mr. Lahoti (Ex. 17) indicates that GLA registered the trade name VERICHECK in  
15 Hawaii in 1997, at least five years after Verichex adopted the mark.

16       31. Mr. Lahoti also cites VeriChek, Inc., a Texas company (Ex. 13); however,  
17 the earliest alleged use of the mark by that company is 1995, at least three years after  
18 Defendant adopted the VERICHECK mark.

19       32. Mr. Lahoti references three third-party uses that allegedly commenced  
20 before Verichex first adopted the VERICHECK mark in 1992: Credit Associates of  
21 Maui; Veri-Cheque of Canada (Ex. 18); and Verichex Services, Inc. of Arizona (Exs. 7-  
22 10). There is no evidence indicating whether or the extent to which Credit Associates of

1 Maui or Veri-Cheque of Canada actually used and promoted any mark in connection with  
2 their services. The sole evidence presented by Mr. Lahoti concerning Veri-Cheque of  
3 Canada's alleged use of a mark are a page printed from an Internet archive from 1998, six  
4 years after Defendant adopted its VERICHECK mark, and a page printed from Veri-  
5 Cheque's current website in June 2007, fifteen years after Defendant adopted its  
6 VERICHECK mark. Moreover, Veri-Cheque is a Canadian company, and aside from a  
7 statement on the website that it operates in "North America" there is no evidence of  
8 actual goods or services provided in the United States.

9 33. The court finds that the evidence introduced at trial about the Arizona  
10 company supports Vericheck's contention that the mark is distinctive. The Arizona  
11 company does not use the mark in connection with services that compete with Vericheck.  
12 Mr. Lahoti's own investigation showed that the company did not use the VERICHECK  
13 mark, at least on the Internet, and he has not produced evidence to contradict his own  
14 investigation. Furthermore, that the PTO allowed the Arizona company to register the  
15 now expired VERICHECK mark without requiring proof of secondary meaning affords a  
16 rebuttable presumption that the mark is inherently distinctive for "check verification  
17 services." (Ex. 7 (capitalization removed)); *see Abercrombie & Fitch Co. v. Hunting*  
18 *World, Inc.*, 537 F.2d 4, 11 (2d Cir. 1976).

19 34. The VERICHECK mark has no common English meaning, and appears in  
20 no dictionary. The VERICHECK mark does not immediately convey information about  
21 the nature of Vericheck's goods and services, either in whole or in part. If the term  
22 VERICHECK is understood by the average consumer to suggest Vericheck's services,

1 either in whole or in part, such understanding requires imagination or a mental leap by  
2 the consumer, in order to become apparent. The court therefore finds the VERICHECK  
3 mark to be inherently distinctive.

4 35. Verichack has also presented substantial proof of the VERICHECK mark's  
5 strength in the marketplace in the form of Verichack's extensive and longstanding use  
6 and promotion of the mark as well as the company's expanding territory, client list, and  
7 sales figures.

### 8 **III. CONCLUSIONS OF LAW**

9 1. Verichack has presented facts that establish the distinctiveness of the  
10 VERICHECK mark and the likelihood of consumer confusion caused by Mr. Lahoti's  
11 use of the mark. Given that the mark is strong and protectable, Verichack is entitled to  
12 judgment on its five counterclaims: (1) violation of the ACPA; (2) Lanham Act false  
13 designation of origin; (3) common law trademark infringement and trade name  
14 infringement; (4) common law unfair competition and misappropriation; and (5) violation  
15 of the Washington CPA. Mr. Lahoti's claims are dismissed.

#### 16 **Counterclaim I: Anti-Cybersquatting Consumer Protection Act**

17 2. The ACPA, which Congress incorporated into the Lanham Act in 1999,  
18 sets forth the elements of a cybersquatting claim. To prevail, Verichack must prove that  
19 it holds a distinct mark, that Mr. Lahoti had a "bad faith intent to profit" from the mark,  
20 and that Mr. Lahoti "register[ed], traffic[ked] in, or use[d] a domain name" that is  
21 identical to, or confusingly similar to that mark. *See* 15 U.S.C. § 1125(d)(1)(A)(i)-(ii).  
22 The ACPA protects both federally-registered marks as well as unregistered marks.

1 *DaimlerChrysler v. The Net Inc.*, 388 F.3d 201, 205 (6th Cir. 2004) (citing *Two Pesos*  
 2 *Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992)); *see also* 4 J. THOMAS MCCARTHY,  
 3 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:78 (4th ed. 2007)  
 4 (hereinafter “MCCARTHY”).

5 3. The Court already concluded that Mr. Lahoti registered and used the  
 6 domain name <verichack.com> in bad faith, and that he made commercial use of the  
 7 mark and Domain Name. (SJ Order at 11-13, 15-16); *see also Lahoti*, 586 F.3d at 1203-  
 8 04 (“We affirm the district court’s grant of summary judgment that Lahoti acted in bad  
 9 faith.”). Likewise, “[t]here is no dispute that verichack.com and the VERICHECK mark  
 10 are identical or confusingly similar.” (SJ Order at 6.) Thus the remaining issue for trial  
 11 was the distinctiveness of the VERICHECK mark. *See also Lahoti*, 586 F.3d at 1197  
 12 (“Verichack cannot prevail on its trademark claims unless its Disputed Mark is  
 13 distinctive.”).

14 4. There are five categories of trademarks: (1) generic; (2) descriptive; (3)  
 15 suggestive; (4) arbitrary; and (5) fanciful. *Yellow Cab Co. of Sacramento v. Yellow Cab*  
 16 *of Elk Grove, Inc.*, 419 F.3d 925, 927 (9th Cir. 2005). Word marks that are “‘arbitrary’  
 17 (‘Camel’ cigarettes), ‘fanciful’ (‘Kodak’ film), or ‘suggestive’ (‘Tide’ laundry  
 18 detergent)” are inherently distinctive. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529  
 19 U.S. 205, 210-11 (2000); *Lahoti*, 586 F.3d at 1197. These three categories are entitled to  
 20 trademark protection because they “serve[ ] to identify a particular source of a product . .  
 21 . .” *Two Pesos*, 505 U.S. at 768. The Ninth Circuit has stated “that the ‘primary  
 22 criterion’ for distinguishing between a suggestive and a descriptive mark ‘is the

1 imaginativeness involved in the suggestion, that is, how immediate and direct is the  
2 thought process from the mark to the particular product.” *Lahoti*, 586 F.3d at 1198  
3 (quoting *Self-Realization Fellowship Church v. Ananda Church of Self-Realization*, 59  
4 F.3d 902, 911 (9th Cir. 1995)). “A mark is suggestive ‘if imagination or a mental leap is  
5 required in order to reach a conclusion as to the nature of the product being referenced.’”  
6 *Id.* (quoting *Filipino Yellow Pages, Inc. v. Asian Journal Publ’ns, Inc.*, 198 F.3d 1143,  
7 1147 n.3 (9th Cir. 1999)). By contrast, “a mark is descriptive if it ‘define[s] a particular  
8 characteristic of the product in a way that does not require any exercise of the  
9 imagination.” *Id.* (quoting *Yellow Cab*, 419 F.3d at 927). A descriptive mark receives  
10 trademark protection only when it establishes “secondary meaning” in the marketplace.  
11 *Yellow Cab*, 419 F.3d at 927. Generic marks receive no protection because they simply  
12 identify the product, rather than the source of the product. *Id.* (internal citation omitted).  
13 “Placement on the spectrum of distinctiveness does not end the enquiry as to the strength  
14 of a mark: it is only the first step. The second step is to determine the strength of this  
15 mark in the marketplace. That is, to ascertain its degree of recognition in the minds of  
16 the relevant customer class.” 2 MCCARTHY §11.2.

17         5. Verichек contends that the VERICHEK mark is inherently distinctive  
18 and is protectable as a trademark even without evidence of secondary meaning. Also, the  
19 VERICHEK mark has acquired distinctiveness in the minds of consumers as a result of  
20 Verichек’s long use, advertising and promotion, and extensive sales of Verichек’s  
21 financial transaction processing services, all in connection with the VERICHEK mark.  
22 Mr. Lahoti contends that the VERICHEK mark is generic or descriptive, and thus either



1 unprotectable under any circumstance, or protectable only on a showing of secondary  
2 meaning.

3         6.       The distinctiveness of a mark must be assessed not in the abstract, but in  
4 relation to the applicable goods or services, the context in which the mark is used and  
5 encountered in the marketplace, and the significance the mark in that context is likely to  
6 have to the average consumer. *Lahoti*, 586 F.3d at 1201. As the Ninth Circuit teaches,  
7 “[c]ontext is critical to a distinctiveness analysis.” *Id.* A mark need not describe the full  
8 scope and extent of the applicable goods and service in order to be deemed descriptive.  
9 Instead, “[t]he inquiry is ‘whether, when the mark is seen on the goods or services, it  
10 immediately conveys information about their nature.’” *Id.* (quoting *In re Patent &*  
11 *Trademark Servs. Inc.*, 49 U.S.P.Q.2d 1537, 1539 (T.T.A.B. 1998)).

12         7.       Furthermore, in assessing a mark’s strength, the mark must be analyzed as a  
13 whole. *Id.* This does not, however, mean that the court may not break down the mark  
14 into component parts as a preliminary step. *Id.* “Rather, courts may analyze all  
15 components of the mark in determining whether those parts, taken together, merely  
16 describe the goods or services offered.” *Id.* (citing *In re Oppedahl & Larson LLP*, 373  
17 F.3d 1171, 1174 (Fed. Cir. 2004)). Combinations of words or word parts in a mark,  
18 which might themselves be descriptive if taken separately, are not necessarily descriptive  
19 if used as a mark. *See, e.g., Equine Techs., Inc. v. Equitech., Inc.*, 68 F.3d 542, 545 (1st  
20 Cir. 1995) (holding that “EQUINE TECHNOLOGIES” in its entirety is not descriptive of  
21 hoof pads for horses, notwithstanding that “equine” describes horses).

1           8.       Taken in its entirety, the VERICHECK mark is suggestive. The term  
2 VERICHECK has no common English meaning, and does not appear in any dictionaries.  
3 When viewed in the context of Vericheck's services, whether in whole or in part,  
4 including Vericheck's check verification services, the VERICHECK mark does not  
5 immediately convey information about the nature of Vericheck's services. Vericheck's  
6 long use of the VERICHECK mark as a trademark, and not as a descriptor of its goods  
7 and services, also supports the court's finding that the mark is protectable.

8           9.       In reaching this conclusion, the court has considered the component parts of  
9 the VERICHECK mark "as a preliminary step on the way to an ultimate determination of  
10 the probable consumer reaction to the composite as a whole." *Lahoti*, 586 F.3d at 1201  
11 (quoting 2 MCCARTHY § 11:27). The VERICHECK mark breaks down into two  
12 component parts: "veri" and "check." "Veri" has no independent meaning, and "check"  
13 could refer to a noun, a verb, or an interjection, and has a myriad of meanings. *See*  
14 *Dictionary.com, Dictionary.com Unabridged* (v 1.1), Random House, Inc.,  
15 <http://dictionary.reference.com/browse/check> (last visited November 28, 2007) (referring  
16 to 46 separate meanings). When analyzed separately, the component parts do not  
17 immediately convey information to consumers about the nature of Vericheck's services.

18           10.       Similarly, evidence that the Arizona company obtained two trademark  
19 registrations (now expired) for marks incorporating the term VERICHECK plus a design  
20 component indicates that the PTO did not consider the mark to be descriptive or generic  
21 as applied to that company's services. *See* 2 MCCARTHY § 11:69 (citing *Borinquen*  
22 *Biscuit Corp. v. M.V. Trading Corp.*, 443 F.3d 112, 119-20 (1st Cir. 2006) (holding that

1 the PTO's acceptance of other marks incorporating the same term for a registration  
2 supports the inherent distinctiveness of the mark at issue)); (*see, e.g.*, Ex. 7 (Arizona  
3 company's registration of VERICHECK mark for "check verification services")  
4 (capitalization removed).)

5 11. Mr. Lahoti argues that the VERICHECK mark has been rendered weak  
6 and, therefore, unprotectable by a crowded field of third-party use of the mark. However,  
7 most of the alleged third-party uses cited by Mr. Lahoti are in unrelated fields, and  
8 "[e]vidence of other unrelated potential infringers is irrelevant to claims of trademark  
9 infringement and unfair competition under federal law." *Eclipse Assocs. Ltd. v. Data*  
10 *Gen. Corp.*, 894 F.2d 1114, 1119 (9th Cir. 1990); *see also Electropix v. Liberty Livewire*  
11 *Corp.*, 178 F. Supp. 2d 1125, 1130 (C.D. Cal. 2001) (rejecting relevance of trademark  
12 report showing 200 companies using the mark where only two of the companies were  
13 using the mark in the same or a similar industry).

14 12. Mr. Lahoti cites three prior users of the mark in the same industry as  
15 Vericheck: Credit Associates of Maui, Veri-Cheque of Canada, and Vericheck Services,  
16 Inc. of Arizona. Federal registration of the mark by a single company, along with scant  
17 evidence about two other purported users, is a far cry from a multitude of registrations  
18 and uses that might suggest a weak mark. *See, e.g., Petro Stopping Ctrs., L.P. v. James*  
19 *River Petroleum, Inc.*, 130 F.3d 88, 94 (4th Cir. 1997) (referring to 2,700 companies, 117  
20 third-party federal registrations, 63 users within the same product area, and 42 prior  
21 registrations of the mark "PETRO" supported a finding that plaintiff had a weak mark);  
22 *Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1511 (2d Cir.1997) (holding that

1 weakness of mark was demonstrated by over 70 trademark registrations, pending  
2 applications for registration or renewal, or publications-for-opposition that included the  
3 term used in plaintiff's mark); *Miss World (UK) Ltd. v. Mrs. Am. Pageants, Inc.*, 856  
4 F.2d 1445, 1449 (9th Cir. 1988) (approving district court's finding of a relatively weak  
5 mark where "[m]ost other pageants use a mark which is composed of a marital prefix and  
6 a defining geographic term. As a result any combination of a marital prefix and  
7 geographic term 'means' beauty pageant."), abrogation recognized, *Eclipse Assocs.*, 894  
8 F.2d at 1116 n.1 (referring to the standard of review); *Amstar Corp. v. Domino's Pizza,*  
9 *Inc.*, 615 F.2d 252, 259-60 (5th Cir. 1980) (holding relevant the evidence of 72 third-  
10 party uses and registrations of the appellant's mark); cf. 3 MCCARTHY § 17:17 (noting  
11 that third-party use and a plaintiff's failure to police a mark are relevant as to whether  
12 widespread use has led to the weakening of the mark).

13       13. Mr. Lahoti presented no credible evidence that Credit Associates of Maui,  
14 Veri-Cheque of Canada, and Vericheck Services, Inc. of Arizona have used the  
15 VERICHECK mark in the United States to compete with Vericheck. Mr. Lahoti never  
16 attempted to admit at trial his exhibit verifying Credit Associates of Maui's use of the  
17 VERICHECK mark (Ex. 16), and no reference to the VERICHECK mark is navigable  
18 from that company's homepage. *See* <http://www.creditassoc.com/> (last accessed  
19 November 28, 2007).

20       14. There is no credible evidence of Veri-Cheque of Canada's use of the  
21 VERICHECK mark prior to Vericheck's use in 1992, and there is no evidence of the  
22 Canadian company's use of the mark in the United States. Trademark rights are

1 territorial in nature, and possible use outside the United States does not bear on the  
2 protectability of the VERICHECK mark in this country. “Priority of trademark rights in  
3 the United States depends solely upon priority of use in the United States, not on priority  
4 of use anywhere in the world.” *Grupo Gigante SA De CV v. Dallo & Co., Inc.*, 391 F.3d  
5 1088, 1093 (9th Cir. 2004) (quoting 4 MCCARTHY § 29:2).

6 15. The evidence presented with respect to the Arizona company supports  
7 Verichex’s position. Mr. Lahoti failed to present any evidence whatsoever that the  
8 Arizona company actually used the VERICHECK mark to compete with Verichex’s  
9 services. Mr. Lahoti testified that his own independent Internet search verified that the  
10 Arizona company was not using the mark, at least on the Internet. That the PTO allowed  
11 the Arizona company to register the VERICHECK mark without requiring proof of  
12 secondary meaning supports a finding that the mark is inherently distinctive. *Lahoti*, 586  
13 F.3d at 1199-1200 (“[W]e agree with the district court that the PTO’s registration of the  
14 Arizona Mark is evidence of the Disputed Mark’s distinctiveness, given the strong  
15 similarity between the appearance and purposes of the Arizona Mark and the Disputed  
16 Mark.”); see *Abercrombie & Fitch Co.*, 537 F.2d at 11. “Although the statutory  
17 presumption of distinctiveness applies only when the mark holder’s own mark has been  
18 registered, courts may also defer to the PTO’s registration of highly similar marks.”  
19 *Lahoti*, 586 F.3d at 1199. Additionally, “nearly identical marks used for similar products  
20 may be viewed in a common light when the PTO has found one of them to be  
21 suggestive.” *Id.* The text of the mark registered by the Arizona company is identical to  
22 the text of the VERICHECK mark, and the two marks are or were both used for services

1 including check verification services. With these considerations in mind, the PTO's  
2 registration of the Arizona company's mark supports a finding that the VERICHECK  
3 mark is inherently distinctive as applied to Verichex's services. Furthermore, Mr.  
4 Hannah's un rebutted testimony established that: (1) Verichex has a continuing business  
5 relationship with the Arizona company; (2) the Arizona company does not offer the same  
6 services as Verichex; and (3) the Arizona company does not use the VERICHECK  
7 mark.

8 16. Mr. Lahoti argues, nonetheless, that the Arizona company's prior  
9 registration of the VERICHECK mark, without any evidence of the Arizona company's  
10 use of the mark, precludes Verichex's ability to raise counterclaims against him. He  
11 relies upon the principle that a senior registrant's prior registration of a mark on the  
12 PTO's Principal Register constitutes prima facie evidence of the validity of the registered  
13 mark and of the senior registrant's exclusive right to use the mark on the goods and  
14 services specified in the registration. *See* 15 U.S.C. §§ 1057(b), 1115(a); *Brookfield*  
15 *Comm'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1047 (9th Cir. 1999).

16 17. Mr. Lahoti's argument is a *jus tertii* defense, *i.e.*, he asserts that a third  
17 party, the Arizona company, has rights superior to Verichex and, therefore, "[s]omebody  
18 has a right to sue me, but it's not you." 6 MCCARTHY § 31:157 (internal marks omitted).  
19 Modern courts and the Trademark Board have rejected the *jus tertii* defense. *Id.* §  
20 31:160; *see Comm. for Idaho's High Desert, Inc. v. Yost*, 92 F.3d 814, 820 (9th Cir.  
21 1996) ("[A] third party's prior use of a trademark is not a defense in an infringement  
22 action."); *Bishops Bay Founders Group, Inc. v. Bishops Bay Apartments, LLC*, 301 F.

1 Supp. 2d 901 (W.D. Wis. 2003) (holding that whether a third party might have trademark  
2 rights superior to plaintiff “has no effect on this lawsuit”); *Gen. Cigar Co. v. G.D.M. Inc.*,  
3 988 F. Supp. 647, 662 (S.D.N.Y. 1997) (holding that a third party’s possibly superior  
4 rights cannot be a defense); *Krug Vins Fins de Champagne v. Rutman Wine Co.*, 197  
5 U.S.P.Q. 572, 574 (T.T.A.B. 1977) (“The fact that the third persons might possess some  
6 rights in their respective marks which they could possibly assert against petitioner in a  
7 proper proceeding can avail respondent nothing herein since respondent is not in privity  
8 with nor is the successor in interest to any rights which such persons have acquired in  
9 their marks.”). This court follows suit. Mr. Lahoti acquired rights to the Domain Name  
10 more than a decade after Verichack began using the mark. “So long as plaintiff proves  
11 rights superior to defendant, that is enough. Defendant is no less an infringer because it  
12 is brought to account by a plaintiff whose rights may or may not be superior to the whole  
13 world.” 6 MCCARTHY § 31:160; *Comm. for Idaho’s High Desert*, 92 F.3d at 821 (citing  
14 MCCARTHY).

15 18. In sum, the court finds the VERICHECK mark to be suggestive and,  
16 therefore, inherently distinctive. The mark’s strength in the marketplace is amply  
17 supported by Verichack’s long use of the mark; the mark’s promotion through  
18 advertising, trade shows, and promotional incentives; and the expansion of Verichack’s  
19 territory and client list along with an increase in sales. The VERICHECK mark is  
20 therefore entitled to protection. Because Verichack has already satisfied the other  
21 elements under the ACPA, the court grants judgment in favor of Verichack on its ACPA  
22 counterclaim.

**Counterclaims II, III, and IV: Infringement Claims**

19. To prevail on its claims of false designation of origin, common law trademark infringement, and unfair competition (collectively, “infringement claims”), Verichex must show that it holds a protectable mark, and that Mr. Lahoti made commercial use of a mark that is similar enough to cause confusion in the minds of consumers about the origin of the goods or services in question. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 117 (2004). At summary judgment, the court found that Mr. Lahoti made commercial use of the VERICHEX mark, and has determined, above, that Verichex holds a protectable mark. The remaining element of Verichex’s infringement claims is, therefore, whether Mr. Lahoti’s use of the mark was likely to cause confusion in the minds of consumers. *See Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1355 n.5 (9th Cir. 1985) (noting that “the question of likelihood of confusion is routinely submitted for jury determination as a question of fact”).

20. The following eight factors first announced in *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979), guide the court’s analysis on likelihood of confusion:

- (1) the similarity of the marks;
- (2) the marketing channels used to promote the marks;
- (3) the relatedness of the goods or services promoted under the marks;
- (4) the strength of the plaintiff’s mark;
- (5) evidence of actual confusion;
- (6) likelihood of expansion of either parties’ product lines;
- (7) the degree of care a potential purchaser is likely to exercise; and
- (8) the defendant’s intent in selecting the mark.



1 In the context of the Web, the three most important *Sleekcraft* factors for determining  
2 likelihood of confusion are (1) similarity of the marks, (2) relatedness of the goods or  
3 services, and (3) the simultaneous use of the Web as a marketing channel. *Goto.com, Inc.*  
4 *v. Walt Disney Co.*, 202 F.3d 1199, 1205 (9th Cir. 2000).

5 21. Application of the *Sleekcraft* Internet troika shows that confusion is likely.  
6 First, the court has already determined that the VERICHECK mark and <verichack.com>  
7 are identical or confusingly similar. (See SJ Order at 6, 17.)

8 22. Second, Mr. Lahoti uses the Internet in connection with competing  
9 services. Verichack uses the mark in connection with financial transaction processing  
10 services. Mr. Lahoti uses the Domain Name in connection with a “directory”-style  
11 website that includes links to companies offering services that compete with those of  
12 Verichack, such as <safepayment.com>, as well as to websites that offer “Online  
13 Payments” and “Merchant Processing.” (Ex. A-10, at 110, 111, 113; see SJ Order at 15.)

14 23. Third, both Mr. Lahoti and Verichack use the Internet as a marketing  
15 channel. The crux of Verichack’s business is merchants’, ISOs’, and resellers’ ability to  
16 easily access Verichack’s website in order to facilitate the provision of Verichack’s  
17 services. Many of these customers and affiliates, in attempting to reach Verichack’s  
18 website and to access Verichack’s services, would — and do — naturally type  
19 <verichack.com> and would and are immediately sent to Mr. Lahoti’s competing  
20 website. (See also SJ Order at 15.)

21 24. As discussed earlier, the mark is inherently distinctive and the strength of  
22 the VERICHECK mark is supported by Verichack’s long and substantial use of the mark

1 since at least 1992; the company's expansion nationwide; its fulfillment of hundreds of  
2 thousands of financial transactions worth millions of dollars; and substantial advertising  
3 and promotion of the mark by Verichex, its resellers, and ISOs through the Internet, in  
4 print and electronic advertising, and through participation in industry trade shows.

5         25.       The remaining *Sleekcraft* factors either favor Verichex or are neutral. Mr.  
6 Hannah presented credible, albeit uncorroborated, testimony that he received two to three  
7 calls per day from Verichex resellers about merchant confusion regarding the  
8 <verichex.com> website. Neither party presented evidence regarding the likelihood of  
9 expansion into other product lines, though Mr. Lahoti testified that he discussed licensing  
10 the VERICHEX mark from the Hawaiian company GLA, Inc. for unspecified purposes.  
11 This factor is nonetheless irrelevant here. *See Victoria's Secret Stores v. Artco Equip.*  
12 *Co.*, 194 F. Supp. 2d 704, 728 (S.D. Ohio 2002) (holding that likelihood of expansion of  
13 product lines irrelevant where parties already directly compete). Exercising an average  
14 degree of care, a potential purchaser could conceivably visit <verichex.com> instead of  
15 <verichex.net> and consequently become frustrated or confused by the myriad links  
16 found there. *See Electropix v. Liberty Livewire Corp.*, 178 F. Supp. 2d 1125, 1134 (C.D.  
17 Cal. 2001) (“[V]irtually no amount of consumer care can prevent confusion where two  
18 entities have the same name.”). Finally, the court has already found that Mr. Lahoti acted  
19 with bad faith intent in selecting the mark. (SJ Order at 12-14.)

20         26.       The court grants judgment in favor of Verichex on the infringement  
21 claims: Lanham Act false designation of origin; common law trademark infringement  
22 and trade name infringement; and common law unfair competition and misappropriation.

**Counterclaim V: Washington Consumer Protection Act**

27. To prevail on its CPA claim, Verichack must show: (1) an unfair or deceptive act or practice; (2) occurring in the conduct of trade or commerce; (3) affecting the public interest; (4) injuring its business or property; and (5) a causal link between the unfair or deceptive act and the injury suffered. *Nordstrom, Inc. v. Tampourlos*, 733 P.2d 208, 210 (Wash. 1987); *Hangman Ridge Training Stables, Inc. v. Safeco Title Ins. Co.*, 719 P.2d 531, 533 (Wash. 1986). The court already has determined that Mr. Lahoti's registration and use of <verichack.com> constitute use in commerce. (SJ Order at 15-16.)

28. Absent unusual or unforeseen circumstances, the analysis of a CPA claim will follow that of the trademark infringement and unfair competition claims: it will turn on the likelihood of consumer confusion regarding a protectable mark. *See Seattle Endeavors, Inc. v. Mastro*, 868 P.2d 120, 127 (1994) (citing *Nordstrom, Inc.*, 733 P.2d at 212 (noting that confusion of the public sufficient to meet the public interest requirement of the CPA)).

29. The court grants judgment in favor of Verichack on its CPA counterclaim for the reasons discussed earlier: the VERICHECK mark is strong and inherently distinctive and Mr. Lahoti intentionally infringed the VERICHECK mark by his registration and use of the <verichack.com> domain name, which confused and diverted Verichack's customers.

**Mr. Lahoti's Affirmative Defenses**

30. All but one of the affirmative defenses raised by Mr. Lahoti fail in light of the proof offered by Verichex in support of its counterclaims. (*See* Pretrial Order at 2-3 (Dkt. # 71).) Mr. Lahoti's only remaining affirmative defense, that Verichex's claims are barred by the doctrine of "unclean hands," is unsupported in fact or law.

31. The equitable defense of unclean hands is a defense to a Lanham Act infringement suit. *See Fuddrucker, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 847 (9th Cir. 1987). The party seeking application of the doctrine of unclean hands "must demonstrate that the plaintiff's conduct is inequitable and that the conduct relates to the subject matter of its claims." *See Levi Strauss & Co. v. Shilon*, 121 F.3d 1309, 1313 (9th Cir. 1997) (quoting *Fuddrucker*, 826 F.2d at 847).

32. Mr. Lahoti argues that Verichex's counterclaims are barred by the doctrine of unclean hands because Verichex was not justified in adopting the VERICHEX mark in light of the Arizona company's registration of the VERICHEX mark. This argument is essentially the *jus tertii* defense the court has already rejected. Regardless, nothing on the record supports Mr. Lahoti's position. As Mr. Hannah testified, he is and was aware of the Arizona company, and knows that it does not and has not offered services that compete with those of Verichex. Mr. Lahoti himself stated that he conducted an Internet search and concluded, "the Arizona entity was no longer using the alleged mark VERICHEX." (Ex. A-23 at 9.) The two registrations issued to the Arizona company have expired. (*See* Exs. 7-8 (trademark registration records), 9-10 (status reports for

cancelled trademark registrations).) The court therefore rejects Mr. Lahoti's affirmative defense of unclean hands.

### Relief Sought by Vericheck

**Vericheck is entitled to an injunction, including transfer of the <vericheck.com> domain name to Vericheck**

33. "Injunctive relief is the remedy of choice for trademark and unfair competition cases, since there is no adequate remedy at law for the injury caused by a defendant's continuing infringement." *Century 21 Real Estate Corp. v. Sandlin*, 846 F.2d 1175, 1180 (9th Cir. 1988); *see* 15 U.S.C. § 1116 (injunctive relief for violation of Lanham Act § 43(a) or (d)); RCW § 19.86.090 (injunctive relief for violation of Washington CPA). Section 43(d) of the Lanham Act specifically authorizes district courts to order transfer of an infringing domain name to the mark owner. "In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order . . . the transfer of the domain name to the owner of the mark." 15 U.S.C. § 1125(d)(1)(C).

34. Vericheck is entitled to an injunction against Mr. Lahoti, prohibiting him and his affiliates from using the term VERICHECK in any manner, including as a domain name, and requiring him to transfer the <vericheck.com> domain name to Vericheck. The injunction sought is narrowly tailored to address the specific harm that is suffered by Vericheck and to remedy actual and likely consumer confusion caused by Mr. Lahoti's acts.

1        35.    The court, having found in favor of Verichack on all claims, HEREBY  
2 ORDERS THAT:

3        a.        Mr. Lahoti and each of his officers, agents, servants, employees, and  
4 attorneys, and those persons acting in concert or participation with them who  
5 receive actual notice of the order by personal service or otherwise shall hereby  
6 refrain from:

7            i.        selling or otherwise transferring the domain name <verichack.com>  
8 to any third party other than Verichack;

9            ii.       using in connection with its activities, products, or services the  
10 designations VERICHECK and VERICHECK.COM, or any confusingly similar  
11 variations thereof, or any false or deceptive designation, representation or  
12 description of Verichack or of its products, services or activities, whether by  
13 symbols, words, statements, or Internet domain names, which would damage or  
14 injure Verichack or give Mr. Lahoti an unfair competitive advantage in the  
15 marketplace;

16           iii.      engaging in acts of cybersquatting, federal, state, or common law  
17 trade name infringement, service mark infringement, unfair competition, or  
18 misappropriation that would damage or injure Verichack;

19           iv.      inducing, encouraging, instigating, aiding, abetting, or contributing  
20 to any of the aforesaid acts; and  
21  
22

1       b.     Mr. Lahoti is hereby ordered:

2             i.     to the extent Mr. Lahoti has not already done so, to take all  
3       necessary steps to transfer the <verichack.com> domain name to Verichack within  
4       10 days after entry of this order.

5                   **Verichack is entitled to an award of statutory damages**

6       36.     Verichack requests statutory damages of \$100,000 on its cybersquatting  
7       claim. 15 U.S.C. § 1117(d) provides that “[i]n a case involving a violation of section  
8       1125(d)(1) of this title, the plaintiff may elect, at any time before final judgment is  
9       rendered by the trial court, to recover, instead of actual damages and profits, an award of  
10      statutory damages in the amount of not less than \$1,000 and not more than \$100,000 per  
11      domain name, as the court considers just.”

12      37.     Verichack is entitled to the maximum amount of statutory damages,  
13      \$100,000, based on the totality of facts in this case including, without limitation, Mr.  
14      Lahoti’s bad faith and his deliberate and knowing acts, his pattern and practice of  
15      registering domain names that incorporate the trademarks of others, his efforts to extort  
16      thousands of dollars in exchange for transfer of the Domain Name, his disregard for the  
17      submission of inaccurate answers to interrogatories, and the actual confusion that is  
18      occurring in the marketplace as a result of Mr. Lahoti’s use of the Domain Name in  
19      connection with a commercial website offering links to third parties that compete with  
20      Verichack. *See, e.g., Elec. Boutique Holdings Corp. v. Zuccarini*, 56 U.S.P.Q.2d 1705,  
21      1710 n.11, 1713-14 (E.D. Pa. 2000) (awarding \$100,000 statutory damages per domain  
22      name with \$27,487 attorneys’ fees against “notorious cybersquatter” who “thumbs his

nose at the rulings of this court and the laws of our country”); *Mirage Resorts, Inc. v. Cybercom Prods.*, 228 F. Supp. 2d 1141, 1142-43 (D. Nev. 2002) (awarding statutory damages on default of \$100,000, plus \$13,763 attorneys’ fees, and \$1,000 for corrective advertising); *Graduate Mgmt. Admission Council v. Raju*, 267 F. Supp. 2d 505, 512-13 (E.D. Va. 2003) (awarding statutory maximum of \$100,000 per domain name in addition to other remedies); *Pinehurst, Inc. v. Wick*, 256 F. Supp. 2d 424, 433 (M.D.N.C. 2003) (awarding statutory damages of \$50,000 per domain name plus attorneys’ fees and costs based on defendant’s willful and deliberate conduct).

38. Having determined that Vericheck is entitled to the maximum amount of statutory damages on its cybersquatting claim, IT IS FURTHER ORDERED THAT:

a. Mr. Lahoti shall pay \$100,000 in statutory damages to Vericheck within 10 days after entry of this order.

**Vericheck is entitled to an award of its attorneys’ fees and costs**

39. An award of Vericheck’s attorneys’ fees and costs is authorized by the Washington CPA, which provides for an award of attorneys’ fees and costs to prevailing plaintiffs. RCW § 19.86.090.

40. Vericheck also seeks recovery of its reasonable attorneys’ fees because this is an “exceptional” case under 15 U.S.C. § 1117(a). The Lanham Act permits an award of reasonable attorneys’ fees to prevailing plaintiffs for violations of 15 U.S.C. § 1125(a) and (d) in “exceptional cases.” 15 U.S.C. § 1117(a). “Exceptional” is defined as “malicious, fraudulent, deliberate or willful.” *Gracie v. Gracie*, 217 F.3d 1060, 1068 (9th



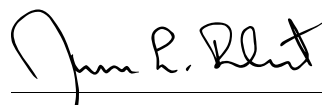
1 Cir. 2000) (citation omitted); *see Lindy Pen Co., Inc. v. Bic Pen Corp.*, 982 F.2d 1400,  
2 1409 (9th Cir. 1993).

3 41. Mr. Lahoti's acts include: willful registration and use of the Domain Name;  
4 attempts to extort thousands of dollars from Verichack in exchange for the Domain  
5 Name; disregard of Verichack's trademark rights notwithstanding his clear knowledge  
6 and actual notice of them; a pattern and practice of cybersquatting, including a pattern  
7 and practice of abusive litigation practices as a means to convince trademark owners to  
8 drop their domain name claims or to pay for domain names; and his disregard for the  
9 submission of inaccurate answers to interrogatories. Such conduct renders this an  
10 "exceptional" case. *See, e.g., Elec. Boutique*, 56 U.S.P.Q.2d 1705; *Mirage Resorts*, 228  
11 F. Supp. 2d 1141; *Pinehurst*, 256 F. Supp. 2d 424; (Jost Decl., Ex. B, at 36-37, 42-43  
12 (finding, in *E-Stamp Corp. v. Lahoti*, that case was exceptional and awarding attorneys'  
13 fees where Mr. Lahoti engaged in pattern and practice of registering domain names with  
14 a bad faith intent to profit from them)).

15 42. Having previously reviewed Verichack's bill of costs (Dkt. ## 89-90) and  
16 Verichack's submissions in support of its motions for attorneys' fees (Dkt. ## 91-92,  
17 104-06), and having found the requested costs to be proper and the requested attorneys'  
18 fees to be reasonable (Dkt. ## 99, 101, 107), IT IS FURTHER ORDERED THAT:

19 a. Mr. Lahoti shall pay to Verichack the combined total amount of  
20 \$78,109.95, which is made up of \$2,553.95 in costs and \$75,556 in attorneys' fees,  
21 within 10 days after entry of this order.  
22

1 Dated this 9th day of April, 2010.

2  
3   
4 JAMES L. ROBART  
5 United States District Judge  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22